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CURRENT SUPPORT BRIEF

RECENT CHANGES IN MILITARY EXPENDITURES
IN THE EUROPEAN SATELLITES

OFFICE OF RESEARCH AND REPORTS

CENTRAL INTELLIGENCE AGENCY

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RECENT CHANGES IN MILITARY EXPENDITURES
IN THE EUROPEAN SATELLITES

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Most of the European Satellites increased substantially their announced expenditures for national defense in 1961, above those of 1960, and also above the levels originally planned for 1961. Some of the Satellites plan further increases in 1962. In contrast, defense expenditures in most Satellites had declined or remained stable between 1955 and 1960. Thus, the recent and planned increases to a large extent probably reflect the reaction of the Satellite regimes to the intensification of the Berlin crisis. These increases, however, are not large enough to raise significantly the share of defense in overall budgetary expenditures and therefore do not represent a large shift in resources to defense purposes.

Towards the end of 1960 most of the European Satellite regimes announced plans to raise budgetary expenditures for national defense in 1961, as is shown in the following chart.

Percentage Increases in Budgetary Expenditures
of Several European Satellites

	<u>Planned Increase in</u> <u>1961 Above 1960</u>	<u>Further Increase</u> <u>During 1961</u> <u>above Originally-</u> <u>Planned Levels</u>	<u>1962 Increase</u> <u>Above 1961</u>
Bulgaria	21.6	5.5	3.4
Czechoslovakia	8.3	n a	n a
Hungary	10.3	Some increase	n a
Poland	12.6	2.5	13.4
Rumania	3.3	n a	13.8

East Germany also is believed to have planned for increased defense spending, although no meaningful data on this subject are available. In the course of 1961, defense spending was raised above planned levels by Bulgaria, Poland, and Hungary, and it is likely that the other Satellite countries also accelerated their military effort. Except in Poland, where the July 1960 revision of wholesale prices may have inflated somewhat the defense budget for 1961, it appears that the indicated rise in Satellite military budgets reflects a real increase in defense spending. The possibility of unannounced increases in military pay or procurement prices, or of changes in budgetary accounting, however, cannot be excluded. For 1962 the defense budgets announced to date show further increases.

No firm information is available on overall defense costs in the Satellites. The announced military budgets probably are not entirely comprehensive, although the percentage of defense costs accounted for elsewhere in the budget probably varies considerably among the countries. In Poland, the only country which publishes detailed data on budgetary expenditures (except of course for those of the Ministry of National Defense), the budget does not appear to contain any large components of defense costs outside the announced military budget. In East Germany, on the other hand, the military budget of around one billion DME, which has been practically constant since 1956, is believed

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to represent only a fraction of total defense costs, which could amount to as much as 5 million DME (or 10% of total budgetary expenditures), inclusive of public security expenditures, (the latter are excluded from data for the other Satellites).

The recent and planned increases in defense spending do not represent a major reallocation of resources in the Satellites. In general, they are sufficiently large to keep the share of defense constant in total budget expenditures or at most to bring about a very slight increase. During the previous 5 years, however, this share had been decreasing or was stable in most of the Satellites, and it remains well below the share of 1955-56 in all countries.

Moreover, in real terms defense expenditures of most Satellites may have remained below the 1955 level, at least until 1960 or 1961. This tentative judgment is based largely on the assumption that changes in defense costs very roughly paralleled price changes of civilian goods. Between 1955 and 1960 prices of nearly all civilian goods and services in Poland and prices of producers' goods in Hungary rose substantially, price decreases in Czechoslovakia and Bulgaria were relatively small, and Rumanian prices were stable or rising. Moreover, Poland announced an increase in military pay in 1959.

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 Indicators of Changes in Satellites Defense Expenditures
 (excluding East Germany and Albania)

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	1955	1956	1957	1958	1959	1960	1961 (plan)	1961 (actual)	1962 (plan)
A. Budgeted Defense Expenditures (current prices)									
Poland (million zlotys)	12,577	12,682	10,136	11,220	14,259	14,920	16,800	17,200	19,500
Czechoslovakia (million crowns)	10,429	9,606	9,319	8,933	8,789	8,783	9,512	<u>n a</u>	<u>n a</u>
Hungary (million forints)*	5,700	4,085	1,912	2,078	2,403	3,100	3,420	higher than planned	<u>n a</u>
Rumania (million lei)	4,227	3,984	3,817	3,597	3,446	3,392	3,503	<u>n a</u>	3,988
Bulgaria (million old leva)	1,895	1,472	1,540	1,729	1,628	1,786	2,059	2,171	2,244
Percent of Total Budget Expenditures									
Poland	10.2	9.5	6.6	6.7	7.8	7.5	7.4	7.85	7.95
Czechoslovakia	12.1	10.7	9.5	9.4	9.2	8.5	8.5	<u>n a</u>	<u>n a</u>
Hungary	12.5	9.7	3.7	4.3	4.6	4.6	4.5	<u>n a</u>	<u>n a</u>
Rumania	9.8	9.5	8.7	8.0	7.1	6.1	5.4	<u>n a</u>	5.1
Bulgaria	11.1	8.5	8.2	8.5	6.2	6.0	6.25	6.6	6.0

* Plan data only.

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Sources:

1. Official Satellites Statistical Yearbooks and Plan Fulfillments Documents.

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